

ROUTING AND RECORD SHEET				
SUBJECT: (Optional) Updating of Iran-Iraq Policy Options Paper				
FROM: Daniel Webster NIO/NESA		EXTENSION	NO. NIC 05135-86	STAT
			DATE 7 November 1986	
TO: (Officer designation, room number, and building)	DATE		OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC 05135-86
6 November 1986

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH: Chairman, National Intelligence Council

FROM: Daniel K. Webster
National Intelligence Officer for NESA

SUBJECT: Up-dating of Iran-Iraq Policy Options Paper

1. Attached, per your request, is an up-dated version of our previous Iran-Iraq policy options paper incorporating recent reporting on the factional in-fighting which has apparently begun in Tehran. The McFarlane issue is addressed only peripherally in this paper.

2. A second copy of the paper is also attached, highlighting the (clipped) changes made to the original version of the paper.

3. C/NIC, AD/NESA, and C/NE have seen the revised version, and concur in the changes made.


Daniel K. Webster

Attachment:
As stated

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NIC 05135-86
7 November 1986

SUBJECT: Revised Iran-Iraq Policy Options Paper

NIC/NIO/NESA/DWebster [] (7 Nov 86)

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Distribution:

- Orig - DCI
- 1 - DDCI
- 1 - ER
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IRAN-IRAQ: Options for the US

Current Situation

The outlook for the Gulf War is for continuing stalemate. Iran's long threatened "final offensive" could still occur this Fall, but we do not anticipate a dramatic outcome. Iranian military and economic problems have mounted, the planned massive troop build-up has fallen short, and shortages of weapons and ammunition make it unlikely that the Iranians can press an attack, even if they achieve an initial breakthrough at the front.

On the other hand, Iraqi capabilities seem to have improved since the disastrous defeat at Faw. The Air Force has been employed to good effect against Iranian economic targets and Baghdad is receiving adequate levels of financial support from Saudi Arabia and Kuwait and arms resupply from the USSR.

Thus the prospect of a major Iranian success seems less likely today than in the recent past, but there is also the possibility that an all out Iranian offensive coupled with diplomatic maneuvering by Arab states would result in the removal of Saddam Husayn and a face-saving peace for Iran.

Finally, there is a small--but probably growing--possibility that one side or the other could collapse, or just quietly wind down the war. Being on a war footing for six years is exhausting and Iran is beginning to feel the pain of attacks on its economic base. The impact will become more serious as the results of lower oil exports and the attacks on domestic refineries are felt by the population. As Khomeini's health deteriorates, factional in-fighting is breaking out within the senior levels of the government. The arrest of close relatives of Khomeini's designated successor, Ayatollah Montazeri--all involved in the "export of the revolution"--is likely the opening shot in a struggle between the radicals and the moderate/conservative factions.

Of more immediate concern to the US is the recent significant increase in Iranian capabilities to interfere with shipping in the lower Gulf. Iran is now installing Chinese-supplied CSS-2 anti-ship cruise missiles [redacted] [redacted] This missile, together with the increased deployment of missile-equipped helicopters [redacted] [redacted] and recent use of "Seakiller" missiles from Iranian frigates operating out of Bandar Abbas, greatly increases Tehran's ability to interdict successfully ship movements through the Strait. It also significantly raises the odds for a direct US-Iranian confrontation resulting from an Iranian attack on an American commercial or naval vessel. An attack could occur either by accident or as a result of a conscious decision by radicals in the Tehran leadership to buttress their position by deliberately provoking a clash with the US.

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The Range of Possible Outcomes

- An Iraqi collapse leading to a total Iranian victory. While this is highly unlikely, we are alert to the possibility. As indicated in our SNIE, a total Iranian victory would have a severe negative impact on our position, and our friends, in the area.
- A limited Iranian victory, perhaps involving the ouster of Saddam Husayn, and some loss of Iraqi territory. This is more likely than a total Iranian victory, but still not a high probability at this time. There would be negative--but far less serious-- implications for the US.
- A continued stalemate, possibly leading to a de facto cease fire or a limited war of attrition along the border. This is the most likely outcome and, in terms of US interests, the one closest to the Kissinger hope that "both sides lose".
- A limited Iraqi "victory". Iraq cannot defeat Iran militarily, but Baghdad might be able to force an admission from Tehran that it cannot win. This could lead to a formal or de facto peace in which Saddam stays in power, there are no territorial concessions by Iraq, and no reparations payments to Iran. This scenario is unlikely in the near term, but the probability will rise in next several years, particularly in the event of Khomeini's death.
- Collapse in Tehran due to the economic situation. Prolonged civil unrest and in-fighting within the government could propel Iran toward civil war, particularly after Khomeini's death. While the moderate forces inside Iran might be able to emerge on top during a struggle in which the Revolutionary Guard controls most of the weapons and manpower around Tehran, this situation would provide considerable opportunities for Soviet meddling. We do not believe that Moscow could long tolerate a dangerously unstable situation in Iran. The probability of this scenario is low at present, but could go up quickly if Iraq's economic warfare campaign is aggressively pursued.

The Soviet Interest

Our relationship with the Soviet Union in the Gulf is highly ambiguous.

- We witness the unusual phenomenon of both the US and the USSR on the same side for six years of a major war with important East-West implications. Both Washington and Moscow are stuck in Baghdad for now, but would rather be in Tehran.
- Neither side is faring well with Iran, but the Soviets are much better placed than we are and have more assets at their disposal:

2
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the Tudeh; traditional Iranian leftist groups; experienced Iranian Communist cadre in Soviet Azerbaijan; and a long Soviet-Iranian border--longer when the Iranian-Afghan border is included.

- Iran is vastly more important to the USSR than is Iraq. However, the Soviets have been cool toward major improvement of ties with Tehran because they believe they can get nowhere with Khomeini--and the US can hardly steal a march on Moscow in improving its Iranian ties in any case. Were the prospects for improved US ties with Iran to go up, the Soviet would likely hustle to protect their interests.
- The USSR will have options to intimidate or menace Iran if Tehran comes too close to victory in the war. The US would be hard put to fault the Soviets for taking action to forestall an Iranian victory.
- If the US finds itself in confrontation with Iran due to terrorism or military attack, the Soviets would be potentially in a position to drop Iraq and offer to serve as protector to Tehran. Iran's suspicions of Russians run deep, but a leftist, radical Iranian leader might do almost anything to protect his power in a chaotic internal situation.
- The USSR has talked about possible US-Soviet cooperation on the war (but declined to join in a proposed statement on the war during regional talks with the US this summer). While any US cooperation with Moscow on the war might strengthen the Soviet position in the Middle East and "legitimize" their interests--such as in the Arab-Israeli conflict--the USSR already has "legitimate" interests in the Gulf war. If they were tied with us in a joint statement, their own options might be more limited, preventing them from readily switching sides to champion Tehran in a confrontation with the US. We believe that avoiding Soviet backing for Iran against the US is more important than "denying" the Soviets a role that already surpasses our role in all particulars.

The US Interest

In the long term, the foremost US interest in Iran is the prevention of Soviet influence and control in Tehran. A stable and independent Iranian government blocks Soviet expansionism to the south, keeps the USSR away from the warm waters of the Indian Ocean, prevents a Soviet envelopment of NATO's southern flank, and impedes an expansion of Soviet power and influence to the oil fields of the Persian Gulf--a factor that will assume even greater import in the future as part of a global struggle for energy resources. For both US and Soviet interests, Iran is the most important state in the area, because of its geographic position from the Soviet border to the Gulf, its oil and other resources, and its large population. The Shah's old vision of Iran as the regional "superpower" is still valid. Iran is a historic target of Soviet interests, and must have a stable, effective central government to

3
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enable it to stand against Soviet pressures.

The US has a major interest in the continued regular and reliable flow of oil from the Persian Gulf to the West and Japan. This includes Iranian oil--Iraqi destruction of Iranian oil production and export facilities does not serve our interests. By the same token, it is not in US interests for Iran to threaten or impede the oil exports of the other Gulf states. We do not want "export of revolution" or threats--terrorist or military--against other countries of the area.

We do not want the Islamic revolution flowing from Iran west into the Gulf and East as far as Indonesia and Malaysia. This means we have an interest in an Iran that will focus on its own needs.

It is in the US interest to avoid direct US military involvement in the area: only in the most extreme situation can we envision it. A limited US naval presence in the Gulf can serve a variety of goals, but the commitment of US forces to the area would be hazardous and uncertain of success. Parts of the area--Kuwait, for example--are indefensible. Direct US military involvement is also a potential trigger for Soviet involvement--to their advantage, given our availability of forces and long supply lines.

Iran's security and independence is also of critical importance to the general security of the "Northern Tier" in which Afghanistan has already effectively fallen, Pakistan has become a front line state, and Turkey--itself a long-time target of Russian expansionism--is potentially imperiled.

The US Position

US policy options toward the combatant countries in the Gulf War are severely restricted by the lack of influence and effective policy mechanisms that we have in Iraq--and that are totally lacking in Iran. The US is simply not a major player in this game--nor can it be, except by a major commitment now of US political, economic, and/or military resources, a commitment which is neither feasible nor desirable. Given this situation, any US policies or actions are likely to have a marginal impact in determining the future course of the war. In a potentially highly unstable situation, however, any impact could be useful in tipping the balance in the direction we favor. US actions now, even if marginal to the outcome of the war, could have an important impact on US relations with both Tehran and Baghdad in the post-war era.

A major policy question, on which many options depend, revolves around our acceptance of the legitimacy of the revolutionary regime in Tehran. The US intelligence and policy community is deeply split on this question, with some arguing for continued opposition to the Khomeini regime and others wanting to take exploratory steps toward eventual normalization of relations. In reality, the choice is not totally ours, and any normal relationship with Tehran will be developed only slowly and hesitantly, and

4
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likely with a number of false starts along the way. What may be possible, however, is the opening of channels to relative moderates in Tehran who will be in key positions in the post-Khomeini era.

- This is perhaps the preeminent strategic question for the US, since Iran's role in the region--and its relationship to the USSR--is of critical importance to the US.

Implications--Goals and Policies

IRAQ: The immediate US goal is no collapse, no defeat, and no peace dictated by Iran. The US role in Baghdad is very restricted--we can have only marginal impact. There are, however, a number of steps that can be taken to further our goal:

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- Push GCC states--primarily Saudi Arabia and Kuwait--to continue economic aid to Baghdad. This aid is vital to Iraq's continuing ability to fight and the maintenance of morale.
- Enlist the moderate Arabs to pressure Syria and Libya to back off from their support for Iran. These efforts probably will fall short, but should be pursued.
- Provide some economic/technical assistance to Iraq: loans, financial guarantees, etc. Such assistance would be largely symbolic, and would have little immediate impact on the war.

IRAN: Immediate US goals include no Iranian victory in the war, no collapse of the Tehran government as a result of the war, and no further deterioration in the US-Iran relationship. We want to create a situation such that a reasonable level of political and economic relations will be possible in the out years. While US options in Iran are very limited and a major breakthrough in relations is unlikely, prospects may improve as a result of the factional battles that now appear to be breaking out in Tehran. A moderate/conservative ascendancy over the radicals would improve the US relative position, heighten the possibilities of winding down the war, and diminish Iran's external adventurism. We need to position ourselves now to take advantage of opportunities as they occur. The strategic importance of US ties with Iran is too great to permit us the luxury of watching Iran collapse first and then having to compete among radical elements for some US influence. Potential options in the short term could include:

- No victory: Work through the moderate Arab states to break up the

5
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radical relationship of Iran/Syria/Libya. [redacted]

- [redacted] 25X1
- No collapse: To the extent possible, get Iraqi military planners to focus away from economic targets and toward military targets. [redacted] Iraqi strikes on economic targets should not be ruled out but we do not want the economic situation in Iran to deteriorate so much that the government falls and chaos results. 25X1

Better US relations with Iran:

- Work to maintain and expand contacts with the "pragmatists" in Tehran. [redacted] 25X1

- Be prepared, at an appropriate time, to pull back from support of exiled Iranian opposition; support for the opposition could be a serious obstacle to an improved relationship, and the exiles are not very effective in any case.
- Offer [redacted] medical assistance for Iranian victims of chemical weapons. This could be seen as a genuine humanitarian gesture, would be in keeping with general US policy on chemical warfare, and could be a beneficial step in promoting a future relationship. Humanitarian aid for Afghan refugees in Iran is another subject in which there is some confluence of interest between the US and Iran. 25X1

An Alternative View

Proponents of the hard line approach to Iran discount the potential threat of the Soviets to Iran, citing Moscow's very bad experience in Afghanistan and estimating that the Soviets would be extremely reluctant to involve themselves in Iran at this time. Holders of this view also argue that the consequences of an Iranian victory would be so disastrous for the US that we must press on with our policy of supporting the Iraqi effort to destabilize the Iranian regime. They believe that:

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6
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- We should not change the focus of Iraqi Air Force targeting of economic targets. The economic warfare currently being conducted is proving to be very effective and is bringing about the desired results in Iran--either a moderation of the government or its collapse.
- We should not pull back from supporting the exiled Iranian opposition as long as the current leaders govern Iran.
- We should not provide any form of assistance to Iran while the current leadership governs.

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